

# *Important Information for* **Arizona Use Fuel Vendors**



## ***Frequently Asked Questions About:***

- Licensing requirements
- Diesel state tax rates and qualifying purchasers
- Department refunds to vendors
- Record-keeping requirements
- Dispenser labeling requirements
- **Dyed diesel**
- Department authority
- How to obtain forms and information
- How to report potential violations

***Arizona Department of Transportation, Motor Vehicle Division***

*(April 2003)*



### **What is a “vendor”?**

A "Vendor" includes a person who sells use fuel in Arizona, and who places the fuel or causes the fuel to be placed into any receptacle on a motor vehicle for use in propelling the vehicle, including a service station dealer, a broker, and a user who sells use fuel to others. (See ARS 28-5601) Additionally, a person who is the owner of use fuel contained in bulk storage and who permits the fuel to be delivered into the fuel tank of a motor vehicle for which the person is not the owner or lessee is presumed to be a vendor of use fuel. (See ARS 28-5617.B)



### **What is "use fuel"?**

"Use fuel" includes all gases and liquids, including diesel fuel, used or suitable for use to propel motor vehicles, except fuels that are subject to the motor vehicle fuel tax (gasoline).

### **Is a use fuel vendor required to be licensed in Arizona?**

Yes. A person who sells use fuel for delivery directly into a vehicle fuel tank must be licensed as a vendor, and must maintain separate business records. (See ARS 28-5626.C) A separate license is required for each branch location. Sample copies of clear (taxable) use fuel sales receipts for each location must be submitted with *license applications*. These receipts must include the following information:

- The date of purchase.
- The seller's name and physical address.
- The number of gallons purchased.
- The type of fuel purchased.
- The price per gallon of the fuel.
- The rate of tax paid per gallon (\$.18 or \$.26).\*

\* If a retailer is unable to provide receipts that include the tax rate per gallon, the retailer must submit a statement to the Department indicating why the proper receipt is not available and which alternative, as listed below, will be used to provide the required information:

**1. Stations that collect the same rate of use fuel tax at each dispenser at a licensed location or branch.**

For example: All dispensers at a vendor branch location collect 26 cents per gallon in use fuel tax. If elected, notification to the Department must contain vendor license number, vendor's name, branch name, branch physical address, and the uniform tax rate collected at each location.



**2. Stations that identify dispenser number on the sales receipt.**

For example: Dispenser #1 is collecting 18 cents in fuel tax. Dispensers #2 through #10 are collecting 26 cents. The sales receipt issued identifies the number of the dispenser that dispensed the fuel. For this election, the notification must contain vendor license number, vendor's name, branch name, physical address, dispenser number, and the tax rate collected by each dispenser.

**3. Stations that show the total Arizona use fuel tax paid as a separate item on the sales receipt.**

A sample copy of a sales receipt must be provided with the application.

To obtain additional information regarding licensing requirements, contact the Department at:  
**1-877-AZFuels (1-877-293-8357).**

**What is the rate of tax on use fuel?**

Use fuel (diesel) in Arizona is taxed at two levels:

**1.** If the use fuel is used in the propulsion of a use class motor vehicle on a highway in this state, the tax rate is \$.26 for each gallon.

A "use class motor vehicle" means a motor vehicle that uses use fuel on a highway in this state and that is a road tractor, truck tractor, truck or passenger carrying vehicle having a declared gross vehicle weight of more than twenty-six thousand pounds or having more than two axles.

**2.** If the use fuel is used in the propulsion of a light class motor vehicle (such as a pickup truck), or an exempt vehicle (certain school buses, government and non-profit vehicles – see ARS 28-5432.C ) on a highway in this state, the use fuel is taxed at the same rate per gallon as the motor vehicle fuel tax (\$.18 per gallon).  
(See ARS 28-5601, 5605, 5606).

**If use fuel is purchased for a light class or exempt use class vehicle from a \$.26 dispenser, must the vendor provide a refund to the purchaser of the \$.08 per gallon difference in the tax rate?**

Yes. A vendor must refund the \$.08 difference to the purchaser for fuel delivered from a \$.26 per gallon dispenser into a vehicle qualifying for the \$.18 light class rate. (See ARS 28-5605.A)

**How can the vendor obtain a refund for the \$.08 difference?**

The vendor can apply to the Motor Vehicle Division for a refund of the \$.08 difference for gallons purchased by the vendor at \$.26 per gallon, but dispensed into light class/exempt use class vehicles at a tax rate of \$.18 per gallon. (See ARS 28-5612, 5613, 5614, 5620.C)

Contact the Department at **1-877-AZFuels (1-877-293-8357)** for information relating to required supporting documentation. Audits of refund claims will include reviews of per vehicle gallonage for reasonableness.

**What records must a vendor maintain?**

Vendors must maintain (for three years) records of fuel received, sold, or delivered in Arizona by the vendor. In addition to clear use fuel sales receipts as described earlier under "Is a use fuel vendor required to be licensed in Arizona?", the required records include invoices, bills of lading, daily meter readings, and other pertinent records and papers. (Also see ARS 28-5619.C; 5620.C; 5617)

**What labels are required on use fuel (diesel) dispensers?**

Vendors are required to place decals on each use fuel dispenser notifying purchasers of the applicable rate of tax included in the price of the fuel. The Arizona Department of Transportation is responsible for providing these decals to vendors. Such labels (illustrated on following page) may be obtained by contacting the Department at **1-877-AzFuels (1-877-293-8357).**

**Arizona Department of Transportation**

**USE FUEL TAX RATE**  
Questions? (602) 712-6461

The Arizona Use Fuel tax rate per gallon at this pump is shown above.  
Fuel purchased from this pump is for use in:

- Vehicles with no more than 2 axes and a declared Gross Vehicle Weight less than 26,001 lbs. -or-
- Vehicles exempt under ARS 28-5432 (school buses, government and non-profit)

Fuel purchased for a vehicle not meeting this description, subjects the purchaser to additional tax, penalties and possible criminal prosecution under ARS Title 28, Chapter 16, Article 1.

**18¢**

**Light Class Rate**

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**Arizona Department of Transportation**

**USE FUEL TAX RATE**  
Questions? (602) 712-6461

The Arizona Use Fuel tax rate per gallon at this pump is shown above.  
Fuel purchased from this pump is for use in vehicles with more than 2 axes or a declared Gross Vehicle Weight greater than 26,000 lbs.

- Vehicles not meeting the above description -or-
- Vehicles exempt under ARS 28-5432 (school buses, government and non-profit) are taxed at a lower rate. Please see the attendant for an \$0.8 per gallon rebate.

**26¢**

**Use Class Rate**

Note that the label with the light class/exempt tax rate (\$.18) is for use on dispensers used *only by qualified vehicles*, and that this restriction is referenced on the label. Note also that the label with the use class rate (\$.26) is for use at dispensers where either use class or light class/exempt use class vehicles may fuel, and that the label notifies the purchaser that the attendant will provide an \$.08 per gallon rebate for fuel dispensed into qualified vehicles. (See 28-5605)

In addition, if a vendor prohibits light class motor vehicles or use class motor vehicles from dispensing fuel from a specific fuel dispenser, the vendor must post that prohibition.

Also see discussion below under, “What types of notices must be provided by a vendor of *dyed fuel*?”

### **Are there any additional requirements for cardlock facilities selling use fuel at the light class/exempt rate of \$.18?**

Yes. A vendor that dispenses use fuel from a cardlock facility must require the purchaser of use fuel for light class motor vehicles or exempt use class motor vehicles to complete a *declaration of status*. Contact the Department at **1-877-AZFuels (1-877-293-8357)** to obtain additional information regarding the required declaration. (See ARS 28-5605.B.5)

### **Why is untaxed diesel and kerosene dyed red, and what are the allowable uses of dyed fuel?**

Dyeing reduces tax evasion by clearly identifying fuel on which no tax has been paid. Dyeing also reduces air pollution by identifying fuel not suitable for use in highway vehicles. (See ARS 28-5645, 5646, 5647)

*Dyed fuel* can be used off-highway in equipment that is not registered and not required to be registered as a motor vehicle in Arizona.

(See ARS 28-5606, 5610, 5645, 5615)

It is illegal for a person to operate or maintain a motor vehicle on any highway in Arizona if the use fuel contained in the fuel supply tank contains dye. See

ARS 28-5649 for exceptions relating to certain federally exempt school buses and local buses.



### **What types of notices must be provided by a vendor of dyed fuel?**

A notice stating “*Dyed diesel fuel, nontaxable use only, penalty for taxable use*” must be posted by a seller on any retail pump dispensing dyed fuel for use by its buyer. This notice must also appear on invoices accompanying the sale or removal of the dyed fuel.



It is illegal to sell or hold for sale dyed diesel fuel for any use that the person knows or has reason to know is not a nontaxable use of the fuel. It is also illegal to willfully, with intent to evade tax, alter or attempt to alter the strength or composition of any dye or marker in any dyed diesel fuel. (See ARS 28-5646, 5647)



### ***What is the state's authority to inspect vendor records, storage tanks, equipment, fuel, etc.?***

During usual business hours, the Department may examine records, books, papers, storage tanks and any other equipment of a person pertaining to motor fuel imported, received, sold, shipped, delivered or used. (See ARS 28-5620, 5648, 5603)

The Department may conduct inspections and remove samples of fuel to determine coloration of diesel fuel, or to identify shipping paper violations at any place where taxable fuel is or may be produced, stored or loaded into transport vehicles. Inspections shall be performed in a reasonable manner consistent with the circumstances, but in no event is prior notice required. Inspectors may physically inspect, examine or otherwise search any tank, reservoir or other container that can or might be used for the production, storage or transportation of fuel. Inspection may be made of any equipment used for, or in connection with, the production, storage or transportation of fuel. Inspectors may demand that shipping papers, documents and records required to be kept by a person transporting fuel be produced for immediate inspection. The places that may be inspected pursuant to this section include:

- A terminal.
- A fuel storage facility that is not a terminal.
- A retail fuel facility.
- Highway rest stops.
- A designated inspection site.

### ***What are the penalties for violations?***

Arizona statute prescribes both civil and criminal penalties for violations of the fuel tax laws (including those cited herein), and related offenses. Civil penalties are in addition to any taxes and interest due, and may include a penalty of 50% of the tax assessed if any part of the deficiency is due to fraud. Criminal violations include those involving fuel tax evasion, impeding or obstructing enforcement of the laws, and the filing of false statements or reports, including false claims for refund. Willful violations, including those described in ARS 28-5921, may result in imprisonment.

*The Arizona Department of Transportation, Motor Vehicle Division, is actively conducting inspections and audits pursuant to these statutes.*

### ***Who do I contact for additional information, decals, forms, and instructions to comply with these laws?***

Contact the Department Fuel Fraud Hotline at:  
**1-877-AZFuels (1-877-293-8357).**

### ***How can I report potential violations of the fuel tax laws?***

If you observe violations or have a suspicion that violations have occurred, you may report them online, or call the Department's Fuel Fraud Hotline at: **1-877-AZFuels (1-877-293-8357).**



#### ***Note:***

*This information is provided to inform the reader of general requirements in the areas addressed. It is not intended to be referenced as legal authority for taking any action or position, nor is it intended to set forth the legal position of the State of Arizona in specific cases, which must be considered individually based on all facts and circumstances. Readers should thoroughly review all applicable statutes, and consult counsel as appropriate, before taking any action or position.*

